



October 2, 2008

**BY HAND DELIVERY**

Mary L. Cottrell, Secretary  
Department of Public Utilities  
One South Station, 2<sup>nd</sup> floor  
Boston, MA 02110

Re: Fitchburg Gas and Electric Light Company  
Plan for Remitting Payments to Competitive Suppliers  
Docket DPU 08-\_\_

Dear Secretary Cottrell:

On behalf of Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil"), please accept this letter as Unitil's plan concerning "Distribution Company Payments to Competitive Suppliers", as required by Section 103 of the Green Communities Act and pursuant to the Department's letter, dated September 3, 2008. Specifically, this plan addresses Section 60 of the Green Communities Act which amends G.L.c.164, 1D, requiring electric distribution companies to pay competitive suppliers, that have chosen the complete billing method, the full amounts due from customers for generation services in a time period consistent with the average payment period of the participating class of customer, less a percentage for uncollectible charges, and other reasonable development, operating or carrying costs incurred.

Unitil's plan consists of the attached program and accompanying attachments. As described therein, Unitil will remit payments to suppliers no later than 30 calendar days after bills are issued. This amount is less than the 36 day payment lag from Unitil's last filed lead/lag study, approved by the Department in D.T.E. 02-84-A.

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Unitil's discount rate, the amount that payments to suppliers will be reduced, is described in the program. The calculations are provided in Attachments 1 through 4. Unitil will update its discount rate on annual basis. Attachment 1 provides the total rate discount of 5.70%, which includes a rate for uncollectible costs of 2.77%, development costs of 0.84% and annual operating costs of 2.09%. The uncollectible

rate is calculated based on actual historical data for twelve months ending August, 2008. Development costs were estimated based on the estimated time required to design, test, and implement system changes. Annual operating costs were developed based on customer accounting costs recorded in Accounts 901 Supervision, 902 Meter Reading, and 903 Customer Records and Collection for twelve months ending August, 2008, estimated costs for supplier remittance processing, and estimated wire transfer costs.

In order to allow time for the design, testing, and implementation of system changes, Unitil proposes that its program become effective six months after Department approval of its program.

Thank you for your attention to this matter.

Sincerely,

**/s/ Gary Epler**

Gary Epler  
Attorney for Unitil

cc: Joan Foster Evans, Hearing Officer  
Barry Perlmutter, Director, Electric Power Division  
Kevin Brannelly, Director, Rates and Revenue Requirements  
Jed Nosal, Assistant Attorney General  
Robert Sydney, General Counsel, DOER

**Program for Distribution Company Payments to Competitive Suppliers**  
**(Fitchburg Gas and Electric Light Company d/b/a Unitil Proposed Compliance Plan**  
**with Sections 60 and 103 of the Green Communities Act)**

Introduction

This program was created pursuant to the last paragraph of G.L.c.164, 1D, as amended by Section 60 of the Green Communities Act. This section requires electric distribution companies to pay to competitive suppliers who have chosen the complete billing method, the full amounts due from customers for generation services, in a time period consistent with the average payment period of the participating class of customer, less a percentage for uncollectible charges, and other reasonable development, operating or carrying costs incurred.

Effective Date and Term

Unitil will automatically remit payment to licensed competitive suppliers who have entered into a service contract with Unitil pursuant Company s Terms and Conditions for Competitive Suppliers, advise the Company of their choice of the consolidated billing option and agree to adhere to the terms of this program. This program shall become effective six months after Department approval. Payments will be remitted to suppliers automatically regardless of whether the supplier's customers actually remit payment for service. Program changes, including annual updates to the discount rate, shall be subject to review and approval by the Department.

### Eligibility Requirements

Suppliers who choose Unitil's consolidated billing option<sup>1</sup> for all or a portion of their customers will be required to participate in this program for those customers. Suppliers may continue to issue their own bills for supply service (dual billing service), for all or a portion of their customers, but will not be eligible to participate in the program for these dual-billed customers.

### Discount Rate

Suppliers will be reimbursed for billed supply revenues less a percentage discount to reimburse Unitil for expenses, including uncollectible costs and development and operating costs. The percentage discount rate for electric supply sales remitted back to the supplier shall be 5.70% beginning on effective date of the program if the program is approved before the end of 2009. The percentage discount rate was determined by summing uncollectible expenses, development cost, and annual operating costs (all expressed in percentages). The detail of this calculation is provided in Attachments 1 through 4. The uncollectible rate of 2.77% reflects Unitil's actual historical electric supply-related uncollectible expenses for the twelve month period ending August, 2008 (Attachment 2). The rate for development costs is 0.84% which is based on a three year amortization of Unitil's estimated labor costs directly associated with program implementation (Attachment 3). The rate for ongoing operating costs is 2.09%, based on actual historical customer accounting costs for the twelve month period ending August, 2008, estimated costs for supplier remittance processing and estimated wire

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<sup>1</sup> Consolidated Billing is also known as "Complete Billing Method" in Section 60, Section 1D.

transfer charges (Attachment 4). The uncollectible portion of the discount rate and the annual operating cost will be adjusted each year reflecting costs from the prior September through August period, using the methodology reflected in Attachment 2 and

4. New annual discount rates shall become effective January 1<sup>st</sup> of each respective year.

#### Payments

Payments to the suppliers will occur via wire transfer, no later than 30 calendar days after the consolidated bills are issued.

#### Business Process

Current Electronic Data Interchange (EDI) programs and transaction requirements will be unchanged from the processes currently in place.

#### Disconnection of Service

Consistent with the Massachusetts Department of Public Utilities, Chapter 25 rules, Unitil retains its authority to disconnect service to all customers for non-payment.

#### Annual Filing Requirements

No later than 60 days prior to the beginning of each calendar year, Unitil will file an update to its discount rate using the most recent twelve months of data ending in August, as discussed above. Copies of the filing will be served on suppliers authorized to serve customers in the Company's service territory.

Attachment 1

Fitchburg Gas and Electric Light Company d/b/a Util  
Discount Rate

Uncollectible Rate	2.77%	Notes: Attachment 2
Development Cost	0.84%	Attachment 3
Annual Operating Cost	<u>2.09%</u>	Attachment 4
Total Discount Rate	5.70%	

	September	October	November	December	January	February	March	April	May	June	July	August	TOTAL
Customer Electric Revenues													
1. Total Supply Revenue	\$ 2,422,656	\$ 1,913,264	\$ 2,139,288	\$ 2,360,399	\$ 2,675,239	\$ 2,629,481	\$ 2,599,372	\$ 2,160,890	\$ 1,941,525	\$ 2,168,546	\$ 2,654,573	\$ 2,647,181	\$ 28,312,416
Customer Electric Write Offs													
2. Write Offs - Supply	\$ 59,660	\$ 82,690	\$ 71,682	\$ 73,308	\$ 66,794	\$ 81,564	\$ 61,054	\$ 57,367	\$ 14,978	\$ 153,336	\$ 64,953	\$ 81,476	\$ 868,863
3. Write Off Recoveries - Supply	\$ (2,579)	\$ (5,029)	\$ (5,021)	\$ (4,336)	\$ (6,686)	\$ (7,869)	\$ (13,395)	\$ (7,458)	\$ (5,891)	\$ (7,444)	\$ (10,232)	\$ (7,351)	\$ (83,290)
4. Total Supply Write Offs	\$ 57,081	\$ 77,661	\$ 66,661	\$ 68,972	\$ 60,108	\$ 73,696	\$ 47,659	\$ 49,909	\$ 9,087	\$ 145,893	\$ 54,721	\$ 74,126	\$ 785,572
5. Supply Write Offs (as a % of Supply Revenue)	2.36%	4.06%	3.12%	2.92%	2.25%	2.80%	1.83%	2.31%	0.47%	6.73%	2.06%	2.80%	<b>2.77%</b>

Fitchburg Gas and Electric Light Company d/b/a Unitil  
Calculation of Development Costs

Notes:

<b><u>CIS Billing System and Interfaces (Plan, Design, Interface to systems, Test)</u></b>		
1	Cost of Labor per Hour for Contract Programmer	\$ 90.00
2	Estimated Time Required (in hours)	<u>160.00</u>
3	Total Cost for Hourly System Programming	\$ 14,400
4	Cost of Labor per Hour for Senior Systems Analyst	\$ 43.44
5	Estimated Time Required (in hours)	<u>120.00</u>
6	Cost of Labor	\$ 5,213
7	Labor-Related Overheads	<u>\$ 5,265</u>
8	Total Cost for Senior Systems Analyst	\$ 10,478
9	Cost of Labor per Hour for Billing and Collections Supervisor	\$ 33.94
10	Estimated Time Required (in hours)	<u>80.00</u>
11	Cost of Labor	\$ 2,715
12	Labor-Related Overheads	<u>\$ 2,742</u>
13	Total Cost for Billing and Collections Supervisor	\$ 5,458
14	Cost of Labor per Hour for Associate Financial Analyst	\$ 24.12
15	Estimated Time Required (in hours)	<u>80.00</u>
16	Cost of Labor	\$ 1,930
17	Labor-Related Overheads	<u>\$ 1,949</u>
18	Total Cost for Associate Financial Analyst	\$ 3,878
19	Total Cost for Design, Programming, Testing	\$ 34,214 L.3 + L.8 + L. 13 + L. 18
<b><u>Revenue Testing, Documentation to Internal Controls, Internal Audit</u></b>		
20	Cost of Labor per Hour for Financial Analyst	\$ 30.27
21	Estimated Time Required (in hours)	<u>60.00</u>
22	Cost of Labor	\$ 1,816
23	Labor-Related Overheads	<u>\$ 1,834</u>
24	Total Cost for Financial Analyst	\$ 3,651
25	Cost of Labor per Hour for Billing and Collection Manager	\$ 43.44
26	Estimated Time Required (in hours)	<u>40.00</u>
27	Cost of Labor	\$ 1,738
28	Labor-Related Overheads	<u>\$ 1,755</u>
29	Total Cost for Billing and Collection Manager	\$ 3,493
30	Cost of Labor per Hour for Senior Accountant	\$ 33.94
31	Estimated Time Required (in hours)	<u>40.00</u>
32	Cost of Labor	\$ 1,358
33	Labor-Related Overheads	<u>\$ 1,371</u>
34	Total Cost for Senior Accountant	\$ 2,729
35	Cost of Labor per Hour for Internal Auditor	\$ 49.80
36	Estimated Time Required (in hours)	<u>20.00</u>
37	Cost of Labor	\$ 996
38	Labor-Related Overheads	<u>\$ 1,006</u>
39	Total Cost for Internal Auditor	\$ 2,002
40	Cost of Labor per Hour for Director Customer Services	\$ 57.62
41	Estimated Time Required (in hours)	<u>20.00</u>
42	Cost of Labor	\$ 1,152
43	Labor-Related Overheads	<u>\$ 1,164</u>
44	Total Cost for Director Customer Services	\$ 2,316
45	Total Cost for Revenue Testing and Documentation	\$ 14,190 L.24 + L.29 + L. 34 + L. 39 + L.44
46	<b>Total Development Cost</b>	<b>\$ 48,404</b> L. 19 + L. 45
47	Supplier Billings	\$ 1,916,034
48	Development Cost (as a % of Supplier Billings)	2.53%
49	Development Cost (three year amortization)	0.84%

1 Estimated hourly rate.

2 Based on January 2008 average midpoint salary ranges for Unitil Service Corp employees. Proxy for 12 months ending August 2008.

3 Based on Unitil Service Corp overhead rate of 101% for 12 months ending August 2008.

4 Actual supplier billings for 12 months ending August 2008.



Fitchburg Gas and Electric Light Company d/b/a Unitil  
Ongoing Operating Costs

Notes:

**Annual Customer Accounting Costs**

1	Account 901 Supervision	\$	4,104	1
2	Account 902 Meter Reading	\$	81,716	1
3	Account 903 Customer Records and Collection	\$	1,343,441	1
4	Total Customer Accounting Costs	\$	1,429,260	
5	Less Customer Accounting Costs Included below	\$	29,961	L.20 and L.30
6	Less Customer Accounting Costs Included in Att.3	\$	29,273	Att.3 L.8,13,18,24,29,44
7	Net Customer Accounting Costs	\$	1,370,026	L.4 - L.5 - L.6
8	Number of Electric Bills		340,720	1
9	Average Cost per Bill	\$	4.02	L.7 / L.8
10	Allocated Cost per Supply Bill -	50% \$	2.01	L. 9 * 50%
11	Annual Number of Supplier Bills		1,829	1
12	Supplier Bill Preparation Costs	\$	3,677	L.10 * L.11

**Annual Cost of Wire Transfers**

13	Estimated Cost per Wire	\$	9.00	
14	Annual No. of Wire Transfers for Suppliers		248	1
15	Total Cost for Suppliers	\$	2,232	L.13 * L.14

**Supplier Remittance Processing**

16	Cost of Labor per Hour for Financial Analyst	\$	30.27	2
17	Estimated annual hours		60.00	
18	Cost of Labor	\$	1,816	
19	Labor-Related Overheads	\$	1,834	3
20	Total Cost for Financial Analyst	\$	3,651	
21	Cost of Labor per Hour for General Accountant	\$	33.94	2
22	Estimated annual hours		60.00	
23	Cost of Labor	\$	2,036	
24	Labor-Related Overheads	\$	2,057	3
25	Total Cost for General Accountant	\$	4,093	
26	Cost of Labor per Hour for External Supplier Coordinator	\$	27.27	2
27	Estimated annual hours		480.00	
28	Cost of Labor	\$	13,090	
29	Labor-Related Overheads	\$	13,220	3
30	Total Cost for External Supplier Coordinator	\$	26,310	
31	Total Cost for Supplier Remittance Processing	\$	34,054	L. 20 + L. 25 + L.30
32	Total Annual Operating Cost	\$	39,963	L. 12 + L.15 + L.31
33	Supplier Billings	\$	1,916,034	1
34	<b>Annual Operating Cost (as a % of Supplier Billings)</b>		<b>2.09%</b>	L. 32 / L.33

1 Actual data for 12 months ending August 2008.

2 Based on January 2008 average midpoint salary ranges for Unitil Service Corp employees. Proxy for 12 months ending August 2008.

3 Based on Unitil Service Corp overhead rate of 101% for 12 months ending August 2008.